

6. Under what conditions will a firm continue to produce in the short run in the perfectly competitive market, even when it earns negative profit. 5

7. What is derived demand? Explain MRP_L and VMP_L . Derive the demand curve for labour. $1 + 1 + 3$.

GROUP — C

Answer any **two** questions : 10×2

8. Decompose price-effect into income effect and substitution effect and examine their impact on the law of demand. $5 + 5$

9. Why does MR curve of a firm lie below the AR curve under monopoly? Show the equilibrium of the monopolist in the short run. Can a monopolist incur loss? $2 + 6 + 2$

10. Why are the short run and long run average cost curves U-shaped? Explain with diagram. $5 + 5$

11. How does a firm maximize its output under a cost constraint? Explain with diagram. 10

2017

ECONOMICS

[Honours]

(CBCS)

[First Semester]

PAPER — CIT

Full Marks : 60

Time : 3 hours

The figures in the right hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

GROUP — A

1. Answer any *ten* questions : 2×10

- (a) Distinguish between positive economics and normative economics.

- (b) Define production possibility curve.
- (c) Define opportunity cost.
- (d) Distinguish between shift in demand curve and change in slope of demand curve.
- (e) Distinguish between inferior good and Giffen good.
- (f) What is market failure ? Why does market failure occur ?
- (g) What is the measure of monopoly power ?
- (h) Distinguish between ordinary demand curve and compensated demand curve.
- (i) Define property rights.
- (j) What is consumer's surplus ?
- (k) What is quasi-rent ?
- (l) Define monopolistic competition.

- (m) Define Engel curve.
- (n) What is cross elasticity and demand ?
- (o) What is normal profit ?

GROUP – B

Answer any four questions : 5 × 4

2. Define indifference curve and explain its properties. 5
3. Show that determination of equilibrium price using demand and supply curves in a competitive market. What happens to equilibrium price if
(i) demand increases and
(ii) supply falls ? 3 + 2
4. Show the relationship between elasticity of supply of a factor and rent. 5
5. Explain the concepts of existence, uniqueness and stability of market equilibrium in a demand-supply framework. $1\frac{1}{2} + 1\frac{1}{2} + 2$